

RESOLUTION NO. 10-05

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING A LOAN IN AN AMOUNT NOT TO EXCEED \$2,850,000 PURSUANT TO A LOAN AGREEMENT TO PROVIDE FINANCIAL ASSISTANCE FOR THE DEVELOPMENT OF CERTAIN ECONOMIC DEVELOPMENT FACILITIES FOR THE BENEFIT OF AMERICAN YOUTH HOSTELS, INC. AND LOS ANGELES COUNCIL OF AMERICAN YOUTH HOSTELS, INC., PROVIDING THE TERMS AND CONDITIONS FOR SAID LOAN AND OTHER MATTERS RELATING THERETO AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS HEREIN SPECIFIED

WHEREAS, the California Infrastructure and Economic Development Bank (the “Bank”) was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the “Act”), for the purpose of promoting economic development; and

WHEREAS, the Bank is authorized to issue tax-exempt obligations to provide financing and refinancing for economic development facilities (as such term is defined in the Act) located in the State of California; and

WHEREAS, American Youth Hostels, Inc., a New York not-for-profit corporation, and Los Angeles Council of American Youth Hostels, Inc., a California nonprofit public benefit corporation (together, the “Borrower”), has submitted an application to the Bank for assistance in (1) refinancing indebtedness evidenced by a loan agreement, dated as of February 23, 2000, by and among the Borrower, California Statewide Communities Development Authority, as issuer, and Finova Public Finance, Inc., as lender, which indebtedness was used to finance and refinance the acquisition, construction, renovation of, and acquisition of equipment for, the Borrower’s hostel facilities, located at 1432-1438 Second Street, Santa Monica, California and (2) financing

the construction and renovation of the Borrower's hostel facilities, and acquisition of equipment and general development in relation thereto (the "Project"), and paying certain costs of the Project, including funding a reserve fund and paying certain costs of issuance in connection with such financing and refinancing of the Project; and

WHEREAS, the Borrower has represented that it has been using, and intends to continue using the Project to further its operation of a youth hostel, which operation is consistent with the definition of an economic development facility in the Act and which is consistent with any existing local or regional comprehensive plan; and

WHEREAS, for these purposes, the Borrower has requested the Bank to (a) to authorize the issuance of a tax-exempt obligation to City National Bank (the "Lender") in the principal amount of not to exceed \$2,850,000 (the "Issuer Loan Obligation"), (b) to loan the proceeds of the Issuer Loan Obligation to the Borrower to finance and refinance the costs of the Project (including costs of issuance and a reserve fund in connection with such Issuer Loan Obligation) (the "Borrower Loan" and, together with the Issuer Loan Obligation, the "Loan"), (c) to provide for the payment of the principal of, premium, if any, and interest on the Issuer Loan Obligation with revenues derived from the Borrower's payment of the Borrower Loan, and (d) to take and authorize certain other actions in connection with the foregoing; and

WHEREAS, because the Loan will be sold directly to the Lender, the transaction will not be rated by any rating agency; and

WHEREAS, consistent with the Bank's policies, the Borrower has represented that (a) the Lender will certify that it is a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act"); (b) the

Lender will sign a “sophisticated investor” letter acceptable to the Bank; (c) the Loan will be subject to resale limitations that limit the transfer or sale of the Loan by the Lender to other “qualified institutional buyers” or “accredited investors” within the meaning of Rule 501 promulgated under the Securities Act; and

WHEREAS, the Bank may not enter into the Loan to assist in financing and refinancing the Project until the Board of Directors of the Bank (the “Board”) makes certain determinations relating to the Project as required by the Act; and

WHEREAS, there is now on file with the Secretary of the Board the following:

(a) a proposed form of the loan agreement to be entered into by and among the Lender, the Bank and the Borrower;

(b) a proposed form of deed of trust assignment agreement to be entered into between the Bank and the Lender to assign the security interest in the Borrower’s real property granted to the Bank by the Borrower; and

(c) a proposed form of a tax agreement between the Bank and the Borrower, concerning the exclusion of interest on the Issuer Loan Obligation from gross income for federal income tax purposes;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank, as follows:

Section 1. The above recitals are true and correct.

Section 2. Pursuant to Sections 63046 and 63047 of the Act, and based upon the representations of the Borrower, the Board of Directors of the Bank hereby finds and determines as follows:

(a) the Project is located in the State of California,

(b) the Borrower is capable of meeting the payment obligations incurred under the Loan as approved by this resolution, which finding is based in particular on the Borrower's ability to satisfy the requirements imposed by the Lender,

(c) the Borrower is capable of meeting the other obligations incurred by the Borrower under the agreements approved by this resolution,

(d) the payments to be made by the Borrower to the Bank under the loan agreement approved by this resolution are adequate to pay the current expenses of the Bank in connection with the financing and to make payments on the Issuer Loan Obligation,

(e) the proposed financing and refinancing is appropriate for the Project, and

(f) the Project is consistent with any existing local or regional comprehensive plans.

Section 3. Based on the information provided and representations made by the Borrower, the Board hereby finds and determines that the Project demonstrates clear evidence of a defined public benefit in assisting the Borrower in its mission of providing recreational and educational resources within Borrower's community.

Section 4. The Bank authorizes and approves the issuance of the Issuer Loan Obligation on a tax-exempt basis in the principal amount of not to exceed \$2,850,000 and lending the proceeds of the Issuer Loan Obligation to the Borrower in order to finance and refinance the costs of the Project pursuant to the terms and provisions of a loan agreement as approved by this resolution. The proposed form of loan agreement on file with the Secretary of the Board (the

“Secretary”) is hereby approved and, subject to the conditions set forth in Section 9 of this resolution, the Executive Director of the Bank (the “Executive Director”), Chair of the Board, or the Chair’s designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver to the Borrower and the Lender the a loan agreement in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof (as so approved, the “Loan Agreement”). The Secretary is authorized to attest the execution of the Loan Agreement.

Section 5. The proposed form of deed of trust assignment agreement on file with the Secretary is hereby approved and the Executive Director, the Chair of the Board or the Chair’s designee, each acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute and deliver to the Lender a deed of trust assignment agreement in substantially said form, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The proposed form of tax agreement on file with the Secretary is hereby approved and the Executive Director, the Chair of the Board or the Chair’s designee, each acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute and deliver to the Borrower a tax agreement in substantially said form, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of

this resolution and as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Payment of the principal of, premium, if any, and the interest on, the Issuer Loan Obligation shall be made solely from the revenues to be received by the Bank from the Borrower pursuant to the Loan Agreement, and said Issuer Loan Obligation shall not be deemed to constitute a debt or liability of the State of California or the Bank, except as to the Bank to the limited extent provided in the Loan Agreement. Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, and interest on, the Loan.

Section 8. The Loan shall be issued within six months of the date of this resolution and shall be paid monthly in lawful money of the United States at the place or places directed by the Lender. The Loan shall be in the denomination of the outstanding amount thereof, and in the form set forth in the Loan Agreement. The Loan shall mature on the date provided in the Loan Agreement which shall be not later than 15 years from the date of issuance thereof, shall be subject to prepayment within five years following the date of issuance thereof and otherwise as provided in the Loan Agreement. The Loan shall not be registered during the period it is held by the Lender or another qualified institutional buyer, and shall bear interest at rates to be determined in the Loan Agreement, which rates shall not exceed the lesser of 12% per annum or the highest rate of interest permitted by the laws of the State of California.

Section 9. The Bank approves the issuance of the Issuer's Loan Obligation without a credit rating, provided that the execution of the Loan Agreement is conditioned upon the Bank's

receipt of (a) a certification of the Lender that it is a “qualified institutional buyer” within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”); (b) a “sophisticated investor” letter acceptable to the Bank executed by the Lender; (c) inclusion within the Loan Agreement provisions establishing that the Loan is subject to resale limitations that limit the transfer or sale of the Loan by the Lender to other “qualified institutional buyers” or “accredited investors” within the meaning of Rule 501 promulgated under the Securities Act.

Section 10. The Executive Director, the Chair of the Board or the Chair’s designee, each acting alone, is hereby authorized to execute and deliver any and all certificates and instruments, including, without limitation, a no arbitrage certificate, letters of representations and certifications of authority, which they or counsel to the Bank may deem necessary or advisable to consummate the issuance and delivery of the Loan, to provide certain security with respect to the Loan, and otherwise to effectuate the purpose of this resolution.

Section 11. All actions heretofore taken by the officers and employees of the Bank with respect to the approval and issuance of the Loan are hereby approved, confirmed and ratified. The officers of the Bank and their authorized designees, deputies, agents and counsel are hereby authorized and directed, jointly and severally, to perform their duties and execute and deliver any and all certificates which they or counsel to the Bank may deem necessary or advisable in order to consummate the issuance and delivery of the Loan and otherwise to effectuate the purposes of this resolution.

Section 10. This resolution shall take effect immediately upon its passage.

PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on February 23, 2010, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

By _____
Stanton C. Hazelroth, Executive Director

Attest:

By _____
Roma Cristia-Plant, Secretary